GA1.13: NSIAD-89-34

United States General Accounting Office

GAO

Report to Congressional Requesters

COMPLETED
25

January 1989

SUPPLY SECURITY

Air Force Controls Need to Be Strengthened

GAO/NSIAD-89-34

About Our New Cover

The new color of our report covers represents the latest step in GAO's efforts to improve the presentation of our reports.

GAO

United States
General Accounting Office
Washington, D.C. 20548

National Security and
International Affairs Division

B-230505

January 12, 1989

The Honorable Pete Wilson
United States Senate

The Honorable John Glenn
Chairman, Committee on
Governmental Affairs
United States Senate

As you requested, we examined controls over materials during the receiving process at Clark Air Base in the Philippines. The Clark Air Base 3rd Supply Squadron manages about 145,000 different items valued at about $174 million. These items support 13th Air Force operations and include such items as tools, aircraft repair parts, fuels and lubricants, and construction materials and equipment. We focused on the supply squadron, and did not assess overall security at Clark Air Base.

We found that the squadron processed most material receipts as required. However, we found several weaknesses that increase the chance of fraud, waste, and abuse (see app. I). These weaknesses included not reporting certain shipping discrepancies, not verifying and analyzing discrepancies, inadequate physical security, and insufficiently separating duties for supply receipts and issues.

Clark Air Base supply squadron officials did not always comply with defense supply policy, which requires identifying and reporting material shipments that are more than 90 days overdue. The cases of noncompliance we identified involved material that (1) the base did not pay for and (2) was government-owned property from supply organizations. Because overdue items may have been lost or stolen, the squadron needs to report these overdue requisitions to appropriate authorities, allowing them to initiate action to identify the cause of the delay.

Air Force guidelines also require reporting discrepancies in quantity or quality of materials received. The squadron did not always meet the requirements to verify discrepancies and report them on time.

Squadron security personnel did not take basic security precautions, such as controlling visitor entry and departure from the supply compound, properly installing security equipment, properly inspecting all packages carried through pedestrian gates, and repairing many large

holes in the perimeter fence. From January 1984 to May 1987, the supply squadron reported suspected property thefts totaling about $3.6 million.

Some squadron personnel could access the supply computer to record both item receipt and issue transactions. This practice violates a basic control principle to keep the responsibility for receiving items separate from the responsibility for issuing items. If these two functions are separate, two individuals must then collude to adjust the accounting records to cover up the theft of items. However, if an individual is responsible for recording both receipt and issue transactions, that individual acting alone could create a false item history, making it difficult to identify potential thefts. Another control that could help ensure that use of the supply computer is limited to authorized purposes would be to record times that users signed on and off the computer. However, the squadron did not have a procedure to accomplish this.

To determine whether the material control weaknesses we identified were limited to Clark Air Base or were more widespread, we inquired whether specific weaknesses identified at Clark Air Base also existed at Air Force installations in Hawaii, Korea, and Japan. We were told that none of the bases reported overdue shipments that were not paid for by the bases. Also, Hickam Air Force Base in Hawaii did not control sign on and off times on its computer terminals. This suggests that these two weaknesses may exist at other Air Force installations.

Conclusions and Recommendations

We believe that the conditions noted at Clark Air Base indicate a need to reemphasize physical and computer security controls. We therefore recommend that the Secretary of the Air Force

- ensure that Air Force installations submit discrepancy reports and follow up on overdue material shipments in accordance with Department of Defense guidance;
- incorporate computer supply system controls in Air Force guidance, especially to ensure separation of duties for receipt and issue transactions where practicable; and
- ensure that the Clark Air Base supply squadron corrects the specific weaknesses we identified, including physical security, verification of discrepancies, and timely reporting.

Agency Comments and Our Evaluation

The Department of Defense (DOD) generally concurred with our findings and recommendations but suggested some changes to the report. We agreed with DOD's suggestions and incorporated them as described in appendixes I and II.

As arranged with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from its issue date. At that time, we will send copies to the Subcommittees on Defense, Senate and House Committees on Appropriations; the Senate and House Committees on Armed Services; and other interested committees; the Secretary of Defense; the Secretary of the Air Force; the Director, Office of Management and Budget; and other interested parties upon request.

This report was prepared under the direction of Martin M Ferber, Senior Associate Director. Other major contributors are listed in appendix III.

Frank C. Conahan
Assistant Comptroller General

Contents

Letter		1
Appendix I Supply Security at Clark Air Base		6
	Overdue Material Shipments Not Always Reported	6
	Discrepancy Reports Not Properly Processed	7
	Physical Security Weaknesses	8
	Physical Security Weaknesses Noted in Internal Air Force Inspections	9
	Limited Control Over Computer System Access	10
	Objectives, Scope, and Methodology	11
Appendix II Comments From the Department of Defense		12
Appendix III Major Contributors to This Report		22

Abbreviations

DOD	Department of Defense
GAO	General Accounting Office

BLANK PAGE

Supply Security at Clark Air Base

The Clark Air Base 3rd Supply Squadron procures, stores, and distributes supplies for the 13th Air Force's operations. The squadron manages about 145,000 line items worth about $174 million. The four largest classes include most of these line items. Class II includes tools, equipment, and supplies. Class III includes petroleum fuels and lubricants. Class IV includes construction material and equipment. Class IX includes aircraft and support equipment repair parts.

The squadron supports 88 assigned aircraft (including F-4s and C-130s) and about 14,100 transient aircraft a year. During 1986, the squadron processed about 145,000 customer orders and 139,000 receipts.

Air Force Regulation 400-54, dated October 1, 1986, requires receiving and/or transshipment activities to report discrepancies in material shipments to the activity that shipped the item. This regulation establishes the procedures on how to support adjustments to records, make claims, and notify shippers. Discrepancies may involve shipments that are overdue or variations in the quantity or quality of material. Discrepancy reports notify shippers and base supply managers of problems, and document circumstances to help determine the cause of the discrepancy, initiate corrective action, and prevent recurrence.

For reporting purposes, shipments are classified as overdue when they are not received within 90 days from the date of shipment. As of July 2, 1987, the supply squadron had more than $1 million worth of overdue shipments.

We found that the supply squadron did not consistently follow required procedures. It did not always report discrepant shipments, verify discrepancies, or follow physical security rules. We also found weaknesses in controls over automated processing of supply transactions.

Overdue Material Shipments Not Always Reported

Air Force Regulation 400-54 requires receiving and/or transshipment activities to report certain material not received within 90 days from the date of shipment. In July 1987, 169 overdue parcel post shipments valued at about $146,000 should have been, but were not, identified and reported as overdue. All the cases of noncompliance that we identified involved government-owned property from supply organizations such as Air Force air logistics centers and Defense Logistics Agency supply centers.

Pacific Air Forces and Clark Air Base supply officials stated that the squadron did not report overdue material shipments where the base had not paid for them. The officials attributed this practice to the absence of Air Force guidance regarding reporting requirements for overdue shipments that are not paid for by the receiving installation. The guidance states that certain overdue shipments above specific dollar values must be reported. We believe the guidance is applicable to both paid and unpaid items overdue after 90 days of their anticipated shipment dates.

We also found that other Air Force bases were not submitting discrepancy reports for overdue parcel post shipments not paid for by the bases. We observed that Hickam Air Force Base, Hawaii, did not submit discrepancy reports for overdue, unpaid for items as required by defense procedures. Also, supply officials at Osan Air Base, Korea, and Kadena Air Base, Okinawa, stated that they also did not report any overdue items that the bases had not paid for. We believe that since this problem was found at several Air Force bases in the Pacific and involved the same regulations, the problem could exist elsewhere as well.

In commenting on our draft report, the Department of Defense (DOD) stated there was an implication that a report of discrepancy was required for every overdue shipment. We modified the report to specifically identify parcel post shipments that are required to be reported as overdue under defense procedures. DOD agreed that follow-up for overdue material is required regardless of funding.

Discrepancy Reports Not Properly Processed

Air Force guidelines require reports of any discrepant shipments within 15 days of receipt, and also require a second person to verify errors in quantity. During 1986, base supply reported 901 discrepant shipments. In two judgmental tests of discrepancy reports from 1986 and 1987, we found the following:

- Seven of 13 discrepancy reports involving various discrepancies exceeded the 15-day standard. The supply squadron processed the 7 reports from 20 to 62 days after receiving the shipment.
- Ten of 14 receipts for 14 discrepancies in quantity were not verified by a second person.

In commenting on our draft report, DOD stated that Clark Air Base now submits timely reports and verifies discrepancies as required.

Physical Security Weaknesses

Several regulations govern the protection of resources at Clark Air Base. Air Force Regulation 125-37, dated July 1984, sets minimum standards to protect Air Force resources, and 3rd Supply Squadron Regulations 125-1 and 125-2, dated September and October 1986, respectively, assign responsibilities and outline procedures to protect government property.

From January 1984 to May 1987, the supply squadron reported suspected property thefts totaling about $3.6 million. According to Air Force officials, the squadron has tailored its security controls to its supply operation to minimize such losses. A special security unit is to perform security surveillance activities over supply operations. The activities include using badges to control entry to the supply compound and searching exiting personnel by using metal detectors. Fences enclose the main supply compound and closed circuit video cameras should monitor strategic areas in the compound. Security personnel are to check property leaving the supply compound and inspect the compound daily for hidden property.

However, we found that weaknesses in physical security were numerous and pervasive, and could impair base supply's security programs. These weaknesses involved (1) personnel identification and visitor registration, (2) pilferable item controls, (3) security equipment, and (4) perimeter security. Air Force inspectors and investigators have also identified similar physical security weaknesses.

The squadron did not follow its security regulations on the use of identification badges. For example, we observed the following:

- Supply personnel did not display their identification badges within the compound and were not challenged by security personnel.
- Visitors could enter the supply compound without identification badges, even though it is a controlled area. For example, catering truck drivers were allowed in the compound without being issued identification badges.
- In some instances, the squadron issued a single visitor badge to more than one visitor and did not check all visitors' credentials.

The squadron did not maintain a pedestrian registration log in the manner required, thus weakening control over visitors to the supply compound. During one 7-day period, 180 visitors (34 percent of the 533 who signed in) did not sign out on the log. Also, many visitors did not put their arrival times on the log.

Supply procedures require security personnel to inspect all packages carried through the pedestrian gate. However, we observed exceptions during our visit. For example, two civilians carried boxes through the pedestrian gate without guards inspecting the contents or examining documents.

The supply squadron did not control pilferable items as required. For example, we found 20 items coded pilferable being stored in a delivery area outside of the security cage at one warehouse.

Air Force regulations require video cameras to be positioned to provide maximum surveillance of highly pilferable, sensitive, and high dollar value items. Although the supply office used video cameras for security, the cameras did not monitor key areas. Camera positioning precluded monitoring the material receipts staging area, the receiving security cage, and strategic gate and perimeter fence areas. Also, three of six video cameras did not have sufficient light, during the day or night, to monitor the supply compound warehouses.

Air Force regulations require such physical safeguards as fences, gates, and window screens to prevent access by unauthorized persons. We found many large holes in the supply compound perimeter fence, which could allow unauthorized personnel access to the compound. An Air Force supply official stated that the entry of unauthorized personnel has been a long-standing problem. During our visit, the civil engineering squadron approved two work orders to place razor wire in the areas of frequent intrusion. We believe these repairs will reduce the potential for unauthorized access through the squadron's perimeter fence.

In commenting on our draft report, DOD concurred with our findings and described actions at Clark Air Base to improve physical security.

Physical Security Weaknesses Noted in Internal Air Force Inspections

Air Force reports identified many incidents that further illustrate weaknesses in the squadron's physical security.

An August 1985 inspection team report cited insufficient management emphasis and training and a lack of awareness of the importance of physical security. The team reported property left in unsecured areas during processing and doors often left ajar in warehouse areas. It also criticized superficial searches of vehicles and property leaving the compound and improper processing of classified and sensitive items.

The Air Force Office of Special Investigations has reported many thefts from the Clark Air Base supply compound. From January through July 1987, it resolved two suspected thefts totaling over $70,000 of aircraft parts. In 1986, five investigations identified about $164,000 worth of stolen aircraft parts and other items. As a result of follow-up, the Air Force dismissed three supply employees and recovered materials worth about $64,670.

In July 1987, the Office of Special Investigations reported physical security weaknesses at the Clark supply compound. These weaknesses included supply gates found unattended, gate guards unaware of their responsibilities, and a large hole in the perimeter fence line. The report also noted that the squadron did not maintain visitor control logs correctly and that its security video cameras provided poor picture resolution in daylight and none at night.

Limited Control Over Computer System Access

Assigning key supply management responsibilities to a number of individuals helps to ensure that effective checks and balances exist. Separating supply receipt and issue duties could reduce the risk of abuse and is a common management control cited in internal audit and automated data processing guidelines. For example, the President's Councils on Management Improvement and on Integrity and Efficiency cited the need for separation of duties and highlighted the risk that an automated system can allow an individual to circumvent the separation of duties control instituted in manual systems. Air Force guidance does not require that these supply management duties be separated in its automated processing system, and we found that 19 of 21 receiving personnel (about 90 percent) and 134 of 261 squadron supply personnel (about 51 percent) could perform both receipt and issue supply transactions.

Air Force regulations require computer users to sign off a terminal when finished. By documenting who used the terminal, this safeguard helps limit access to the computer terminals to authorized staff. The supply squadron documented user identity, but had no way to determine sign on and off times. If its computer system automatically recorded times in use, the squadron could identify long use times, which might indicate a terminal being left unattended, or limit terminal use to normal working hours by identifying patterns of transactions at unusual times. The Hickam Air Force Base supply computer security officer informed us that Hickam also does not monitor sign on and off times.

In commenting on our draft report, DOD stated that greater separation of duties is desirable, but may not be possible in such cases as small supply offices. DOD further stated that other controls may be more cost-effective than documenting log on and off times at computer terminals. We agree and have modified our recommendations to recognize that separation of duties may not be always possible, and that other controls may also be used to improve computer security.

Objectives, Scope, and Methodology

Our objective at the Clark Air Base supply squadron was to assess controls to ensure that ordered materials are received, discrepancies are reported, and losses are minimized. We evaluated management procedures and practices to safeguard material receipts. We also identified controls over supply security before and after material was received. We did not assess overall base security, nor did we assess security over material issued to other organizations at Clark Air Base that use material provided by the supply squadron.

We performed our work from May through October 1987. We worked at the headquarters of the Pacific Air Forces in Hawaii and at Clark Air Base in the Philippines.

We reviewed Air Force and local procedures and practices for processing material receipts. We examined the supply squadron's shipping discrepancy reports and compliance with physical and computer supply security requirements. We also interviewed Air Force officials responsible for carrying out these activities, examined records, and tested supply transactions. Because the Clark Air Base supply squadron generally did not maintain historical records of shipping discrepancies, we limited most tests to transactions in process at the time of our visit. We reviewed reports issued by defense audit and investigative agencies to identify previously reported supply management problems.

Our review was made in accordance with generally accepted government auditing standards.

Comments From the Department of Defense

Note GAO comments supplementing those in the report text appear at the end of this appendix

ASSISTANT SECRETARY OF DEFENSE
WASHINGTON D.C. 20301-8000

PRODUCTION AND LOGISTICS
(L/SD)

NOV 2 1988

Mr. Frank C. Conahan
Assistant Comptroller General
National Security and International
Affairs Division
U.S. General Accounting Office
Washington, DC 20548

Dear Mr. Conahan:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) draft report, "SUPPLY SECURITY: Air Force Controls Need to be Strengthened," dated August 25, 1988, (GAO Code 391594), OSD Case 7746.

The Department is pleased that the GAO found that the Clark Air Base supply squadron "processed most material receipts as required," and that the Air Force has taken aggressive action to correct the deficiencies identified in the draft GAO report. The Department generally concurs or partially concurs with the draft report findings and recommendations and has suggested changes to the recommendations, which would allow full concurrence with the recommendations. The Department recognizes that this area requires constant vigilance and high level management attention in order to reduce the vulnerability of material loss.

The enclosure documents the Department's detailed comments on the report findings and recommendations. The GAO was separately provided with suggested technical corrections during a meeting on October 4, 1988. The DoD appreciates the opportunity to comment on the draft report.

Sincerely,

Merle Freitag, MG, USA
Military Deputy

Enclosure

GAO DRAFT REPORT - DATED AUGUST 25, 1988
(GAO CODE 391594) OSD CASE 7746

"SUPPLY SECURITY: AIR FORCE CONTROLS NEED TO BE STRENGTHENED"

DEPARTMENT OF DEFENSE COMMENTS

* * * * *

FINDINGS

FINDING A: Overdue Material Shipment Not Always Reported. The GAO found that the Air Force supply squadron officer at Clark Air Base was not reporting material not received within 90 days from the date of anticipated shipment in accordance with Air Force Regulation 400-54. The GAO estimated that, in July of 1987, about 240 overdue material shipments valued at about $360,000 should have been, but were not, identified and reported under Defense procedures. The GAO noted that all of the cases it identified involved Government-owned property from supply organizations such as Air Force Air Logistics Centers and Defense Logistics Agency Supply Centers. The GAO reported Pacific Air Forces and Clark Air Base supply officials stated that overdue material shipments were not reported because the base had not paid for them. According to the GAO, the supply officers attributed this practice to a lack of guidance from the Air Force regarding reporting requirements for overdue shipments that are not paid for. The GAO reviewed the existing Air Force guidance and concluded the existing guidance required that both paid for and unpaid items were required to be reported after 90 days of shipment. The GAO also found that other Air Force bases were not submitting discrepancy reports for not paid for overdue shipments. The GAO observed that Hickam Air Force Base, Hawaii, did not submit discrepancy reports for overdue, unpaid for items. In addition, according to the GAO, supply officials at Osan Air Base, Korea, and Kadina Air Base, Okinawa, stated that they did not report overdue, unpaid for items. Since the items identified were all Government property and may have been lost or stolen, the GAO concluded that the Air Force should report and account for such discrepancies. Also, since the problem was found at several Air Force bases in the Pacific and involved interpreting the same regulations, the GAO concluded that the problem could be general. (p. 1, pp. 4-6/GAO Draft Report)

Now on pp. 1, 6-7

DOD RESPONSE: Partially concur. The Department concurs Clark Air Base (AB) was not following up on overdue shipments of items that were not funded by the base. The Department also concurs that the Air Force regulation 400-54 requires all overseas bases to follow-up on overdue parcel post shipments valued at $100 or more, within 90

ENCLOSURE

days of shipment, regardless of funding source. The tracer reconciliation program (GV 597) is primarily an automated financial system that monitors receipts and produces management notices telling management to submit discrepancy reports for funded items. It does not maintain details for the material shipped from the Air Force Logistics Command (AFLC), because it is not funded at the base level. The Air Force Pacific Command (PACAF) had interpreted the lack of automated management notices as eliminating the requirement to follow-up on material not paid for (e.g., a source of supply like the AFLC). The PACAF has been notified that their interpretation is incorrect and that follow-up for overdue material is required, regardless of funding, in accordance with AFR 400-54.

The Department nonconcurs with the implication that a report of discrepancy (ROD) is required for every overdue shipment. The follow-up/discrepancy reporting process is conducted by several activities, depending upon numerous variables. It appears that the GAO report lumps all types of follow-up together. The following requirements pertain to overdue shipments and the RODs and are submitted to help clarify the GAO report:

Tracking Receipts: When a requisition is submitted, a due-in file is automatically established. Overdue shipments are traced in three ways:

The standard base supply system (SBSS) automatically establishes a suspense system for requisitioned material. It is a program control follow-up. Based on material priority groups, the program automatically produces follow-up actions when material is not received by the estimated time of delivery. (Section F, Chapter 9, Volume II, Part Two, AFM 67-1.) The follow-up action for these overdue items is an automated supply document, NOT a ROD.

The transportation system uses a Military Standard Transportation and Movement Procedures (MILSTAMP) tracer reconciliation program to trace shipments that are delayed or misplaced between shipper and requisitioner (Paragraph 194, Section M, Chapter 9, Volume II, Part Two, AFM 67-1). This is referred to as the Transportation Action Required (TAR) listing.

Parcel post shipments to overseas destinations that are over 90 days old from time of shipment are traced by submission of a ROD (Paragraph VI.B.1.b., AFR 400-54).

The TAR has an off-line program that indicates items for which the consignee (receiver) is due credit, such as for short shipments. This claims payable listing may result in the preparation of a ROD if the situation meets the criteria for submitting a ROD (Paragraph

See comment 1.
Now on pp. 1, 7.

VI.A., AFR 400-54). A ROD, however, is not submitted for every item on the TAR.

FINDING B: Reports Of Discrepancy Not Properly Processed Or Analyzed. The GAO found that the Clark Air Force supply office was not complying with Air Force guidelines for verification of discrepant shipments within 15 days and the supply office was not having a second person verify errors in quantity. The GAO performed two tests of discrepancy reports from calendar years 1986 and 1987 and found that most of the reports exceeded the 15-day standard and did not have discrepancies in quantity verified by a second person. The GAO also found that the supply squadron could not analyze discrepant shipments as required by Air Force regulations because it did not collect information on reported discrepancies to identify causes and corrective actions that which would prevent recurrence of the problem. (p. 1, p. 6/GAO Draft Report)

DOD RESPONSE: Partially concur. The Department concurs that base supply operations are required to report and verify discrepancies within established time frames. The criteria for reporting of discrepancies is clearly delineated in AFR 400-54 and AFM 67-1. The PACAF has reported that Clark AB is now submitting RODs within established time frames and has ensured compliance with proper processing. There is, however, no requirement in the Air Force or the DoD policy that requires the supply squadron receiving material to analyze discrepant shipment data and identify trends. This responsibility lies with the shipping activity. The Department recommends reference to trend analysis at Clark AB be deleted.

FINDING C: Physical Security Weaknesses. According to the GAO, from January 1984 to May 1987, the supply squadron reported suspected property thefts totaling about $3.6 million. In spite of these losses, the GAO found numerous and pervasive weaknesses in the physical security practices employed by the supply squadron at Clark Air Force Base that could impair the base supply security programs. The weaknesses identified by the GAO involved:

- personnel identification and visitor registration;
- pilferable item controls;
- security equipment; and
- perimeter security.

The GAO observed that similar physical security weaknesses have been identified by Air Force inspectors and investigators. The GAO also found that the supply squadron did not follow its security

regulations on the use of identification badges or registration of visitors to the supply compound. In addition, the GAO found that security personnel were not inspecting all packages that were carried through the pedestrian gate. The GAO observed 20 pilferable items that were not properly stored in the security cage; instead, they were being stored in a delivery area. The GAO further found that, although the supply office did use video cameras for security, the cameras were positioned in such a manner as to preclude monitoring of the material receipts staging area, the receiving security cage, and strategic gate and perimeter fence areas. Finally, the GAO found large holes in many areas of the supply compound perimeter fence which could allow unauthorized personnel access to the compound. (The GAO noted that during their visit, the Civil Engineering squadron approved two work orders to correct problems in areas of frequent intrusion.) The GAO identified an August 1985 Air Force inspection team report and a July 1987 Air Force Office of Special Investigations report that reported physical security weaknesses at the Clark Air Base supply compound. The GAO concluded that many of those same weaknesses were previously identified. (p. 2, pp. 7-10/GAO Draft Report)

Now on pp. 1-2, 8-10.

DOD RESPONSE: Concur. The Department concurs that the Air Force and Clark AB had recognized the need for security of government assets and had established security controls. There appeared to be a lack of compliance with these established security measures. Since the 1986-87 GAO visit, management at Clark AB has increased its involvement in monitoring/spot checking control point guards and security teams to ensure that these individuals actively and aggressively support the security program. The Clark AB has increased the number of personnel working in security related jobs, effected more elaborate visitor control/warehouse security procedures, and man warehouses 24 hours per day/7 days per week. A two-member roving supply team patrols all compound and supply areas and security police canine patrols also patrol inside the compound area. Holes in the fence line continue to be a problem, but are immediately reported to the security police and civil engineer for repair. Supply personnel guard the perimeter whenever immediate repair is not possible. Although there are only 14 authorized security related jobs, there are currently 35 personnel working in this area, indicating increased interest. With continued senior-level involvement in the security programs, plus automated inventory analysis programs, the protection, security and control of supply assets are enhanced.

FINDING D: **Limited Control Over Computer System Access**. The GAO reviewed Air Force regulations that require computer users to sign off a terminal when finished. The GAO explained that this documentation of who used the terminal helps limit access to the

Now on pp. 2, 10-11

computer terminals to authorized staff. The GAO found that the Clark Air Base supply squadron documented user identity, but had no way to determine sign on and sign off times. The GAO concluded, therefore, that the squadron could not identify long use times, which might indicate a terminal being left unattended or limit terminal use to normal shifts by identifying patterns of transactions at unusual times. The GAO discussed this same problem with the Hickam Air Base supply computer security officer and found that Hickam Air Base also does not determine sign on and off times. The GAO also noted that separating supply receipt and issue automated input duties reduces the risk of system abuse. The GAO stated that the Air Force guidance does not require that these supply management duties be separated in its automated processing system. The GAO found that 19 of 21 receiving personnel and 134 of 261 squadron supply personnel could perform both receipt and issue supply transactions.
(p. 2, pp. 10-11/GAO Draft Report)

DOD RESPONSE: Partially concur. The Department concurs that bases should control access to automated systems to reduce the risk of potential abuse. The DoD does not, however, concur that, in practice, it is mandatory to have different people enter receipt and issue data or that it is essential to document the times when personnel have access to computer terminals.

Protection of the supply database from unauthorized transactions is essential and that access should be consistent with responsibilities. The Air Force Audit Agency Draft Report, Project 7136512, "Adequacy of Internal Controls Over Automated Processing," June 1988, evaluated ADP controls throughout the Air Force. Since the Air Force Audit Agency task concentrated on ADP controls, its findings were more extensive than the GAO findings regarding Clark AB. The Air Force Audit Agency cited some of the same problems identified by the GAO. The Air Force concurred with the report and in September, 1988, sent a message (Subject: Controlling Access to Automation) to all its Major Commands. The message states that assignment of Transaction Identification Codes (TRICs) and Transaction Processor Passwords (TPPs) should be assigned consistent with the individual's responsibilities, such as receiving and shipping. The message stated that access to systems, TPPs and TRICs not consistent with responsibilities should be deleted. The message also required that each Chief of Supply conduct period reviews of TPPs and TRICs and that Major Commands should make this a special interest item during staff assistance visits. In addition, Air Force Manual 67-1 requires the quarterly verification of password and TRIC authorizations, as well as daily monitoring for password abuse. Additionally, the Air Force has recently increased its emphasis on automation security. The Assistant Chief of Staff for Command, Control, Communications, and Computers, Headquarters, USAF, is developing lock-out controls

and procedures for remote terminals and more restricted demand password access. The Standard Communications-Computer Systems Manager (SCSM) has prioritized work which will result in developing control edits and audit trails necessary to validate and monitor transactions using floppy disks or pseudo processing techniques. Regulatory guidance has been revised to specifically identify terminal area security officer duties, responsibilities and training requirements.

When Clark AB implements the September 1988 message, it will have complied with the GAO recommendation. As stated previously, the Department concurs in principal with the separation of duties and computer access; however, smaller supply operations often find it necessary to have the same person enter both receipt and issue data into the computer. The Department, therefore, does not concur that separation of duties be a mandatory requirement in all cases.

See comment 2.

The Department concurs that having sign in/off times included in systems software would provide an additional audit trail, documenting which individuals accessed the system, and the time and duration of the access. The Air Force policy is that this not be required. The rationale is that the programing effort involved would not be cost effective considering all the other automated systems security measures in effect. The return of this added control does not merit the resources expended. It is the Department's position that the controls in place at Clark AB are in accordance with the guidelines contained in the Office of Management and Budget Circular No. A-130, December 12, 1985. The DoD, therefore, does not concur with the finding that recording individual computer time is essential. The Department could, however, concur with, "The Air Force should ensure that it applies adequate controls to the access of automated data bases, to include the separation of input responsibilities by function, where practical." (See the DoD response to RECOMMENDATION 2.)

RECOMMENDATIONS

RECOMMENDATION 1: The GAO recommended that the Secretary of the Air Force ensure that Air Force installations submit discrepancy reports for all overdue material shipments. (p. 3/GAO Draft Report)

Now on p. 2.

DOD RESPONSE: Partially concur. The Department concurs that the Air Force installations should submit follow-ups for overdue material shipments. The Air Force will issue guidance, by December 1, 1988, to reemphasize, clarify and ensure that its activities apply the appropriate follow-up criteria regardless of the funding source.

See comment 2.

The Department does not concur that overdue shipments necessarily result in a Report of Discrepancy. The Department could concur with a recommendation that states, "The Secretary of the Air Force should ensure that Air Force installations follow-up on overdue material shipments in accordance with Department of Defense guidance." (See the DoD response to FINDING A.)

Now on p. 2.

RECOMMENDATION 2: The GAO recommended that the Secretary of the Air Force incorporate computer supply system controls in the Air Force guidance. In particular, the GAO suggested that the guidance should specify controls to (1) ensure separation of duties for receipt and issue transactions and (2) document the times when personnel have access to computer terminals. (p. 3/GAO Draft Report)

DOD RESPONSE: Partially concur. The Department concurs in principle that the separation of receipt and issue duties provides an extra measure of control. The Department does not, however, concur that this should be a mandatory requirement. The Department also does not concur that it is essential to document the times when personnel have access to computer terminals. The Department has controls and actions in DoD guidance to assure control of access and individual accountability be identified to the ADP system by appropriate administrative or hardware/software measures. Such identification measures must be in sufficient detail to enable the ADP system to provide the user only that material which he is authorized. The Department could concur with a recommendation stating: "The Secretary of the Air Force should ensure that it applies adequate access controls to computer supply system data bases, to include the separation of input responsibilities by function, where practical." (See the DoD response to FINDING D.)

See comment 2.

RECOMMENDATION 3: The GAO recommended that the Secretary of the Air Force direct the Clark Air Base supply squadron to correct the specific weaknesses the GAO identified, including physical security and timely reporting, verification and trend analysis of discrepancies. (p. 3/GAO Draft Report)

Now on p. 2.

DOD RESPONSE: Partially concur. The Department concurs that all the Air Force bases, including Clark AB and its supply squadron, should take all actions necessary to secure their assets and effect timely reporting. In fact, Clark AB has taken several actions to improve its security since this audit was conducted over one year ago (refer to the DoD response to FINDING C). The HQ, PACAF, has reported that Clark AB now submits RODs within the prescribed time frames and that all receipt shortages/overages are being verified by a second person.

The Department concurs that the analysis of discrepancies should be conducted. The Department, however, does not concur with the GAO

See comment 2.

recommendation to direct Clark AB to conduct trend analysis of discrepancies. The applicable regulations, AFR 400-54 and AFM 67-1, require the activity receiving RODs (the material shipper) to maintain records, conduct evaluations, and initiate corrective actions on unresolved RODs, not the submitter of RODs (the receiver of the material). There is no requirement for receiving activities to analyze discrepancies in incoming shipments. The DoD recommends that the report delete reference to requiring Clark AB to conduct such trend analysis, in accordance with the DoD response to FINDING B.

The Department could concur with a recommendation stating: "Recommend that the Secretary of the Air Force ensure compliance with existing physical security and discrepancy reporting procedures as established by the DoD."

8

The following are GAO's additional comments on DOD's letter dated November 2, 1988.

GAO Comments

1. We agree and have deleted the reference to trend analyses.

2. We agree and have modified the recommendations to recognize DOD's comments.

Major Contributors to This Report

National Security and International Affairs Division, Washington, D.C.	Martin M Ferber, Senior Associate Director, (202) 275-8412 Uldis Adamsons, Group Director
Far East Office, Honolulu, Hawaii	Elliott C. Smith, Evaluator-in-Charge Glenn J. Chaney, Site Senior Robert C. Howes, Evaluator David J. Wise, Evaluator

Requests for copies of GAO reports should be sent to:

U.S. General Accounting Office
Post Office Box 6015
Gaithersburg, Maryland 20877

Telephone 202-275-6241

The first five copies of each report are free. Additional copies are $2.00 each.

There is a 25% discount on orders for 100 or more copies mailed to a single address.

Orders must be prepaid by cash or by check or money order made out to the Superintendent of Documents.